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OVER-PRODUCTION IN SECURITIES.

BY ERASTUS WIMAN.

THE great growth of London as a financial centre necessarily implies serious penalties as well as great profits. As the monetary centre that has been levying tribute from all the rest of the world in the shape of interest, dividends, and profits, it is not much wonder that in transactions so tremendous and operations so complicated mistakes and disasters should occur. The necessity for an outlet for British capital is the cause of the misfortune that now overtakes the world, and which in the embarrassment of the great house of Baring Brothers finds its most pronounced expression.

Accustomed as the British public are to look abroad for fields for profit, it was not surprising that the Argentine Republic should seem an attractive portion of the earth's surface, in which development should rapidly take place, and from which large profits should be realized. Progress in South America might with some reason be expected to parallel, even in a faint degree, the progress made in North America ; and when a virgin field for investment was afforded, large prospects glowingly pictured, and a basis of security offered which seemed ample, it is not altogether surprising that once again the European investor made a mistake. The fact that 500 millions of dollars were advanced within a very brief period for development in the Argentine Republic, with a population of only four millions, is but one cause of the difficulties of the hour. Investments by France in the Panama Canal, by Germany and Belgium in Africa, by England in Australia and Canada, in South America, and in almost all other parts of the globe, have absorbed an amount of capital far in excess of

what could well be locked up, unless, indeed, the return was immediate and early realization of profits possible.

When it is realized that in London alone the corporations created during the past six years foot up to the enormous aggregate of 3,488 millions of dollars, it will be realized with what rapidity securities have been created, properties taken over, and investments made. If a financial revolution was caused by the creation in this country of the war debt of 2,700 millions of dollars, all of which was spent or lost or realized within the country itself, what may not be expected if corporations are created in London for 3,400 millions, three-fourths of which is to go out of Great Britain? It is true that a very large portion of the wealth represented in these issues may have been placed in projects entirely legitimate and profitable, but the fact, nevertheless, remains that the volume of undertakings was almost beyond reasonable belief (exceeding a million and a half per day), coupled as these were with enormous governmental demands from abroad in the shape of loans and subsidies, including the attempt to furnish, as in the case of Russia, vast sums with which to maintain peace establishments more expensive than those necessary even in time of war.

It will thus be seen that the evil of the time is excessive output of securities on the one hand, representing an enormous outlay of money on the other. But this amount, vast as it may be in the aggregate, is, nevertheless, quite within the power of Great Britain to furnish. For she is the possessor to the largest extent of all the moneyed wealth in the world, and it will be only a short time before the vast proportion of even this investment will return to her in the tribute from the rest of the world to which her position entitles her.

So far as the money which has come in the direction of the United States is concerned, there seems no cause whatever for apprehension that, as to the 200 millions of dollars which have found their way into railroad, land, and industrial enterprises in the last three years, there should be either serious loss suffered or anxiety manifested. Nevertheless, it is true that many of these securities were bought in the expectation of a premium, and that many people in England were much more influenced by a desire to gain a premium than to own a property, expecting to unload upon their fellow-speculators at an advance in price over that at which

they themselves borrowed the money to buy. Now that the money is to be paid, and the market is found to be overstocked, there will doubtless be continued depression. But the prudence exercised in most of these investments, their profit-earning-power, the stability and strength of the industries of this country, our ever-increasing population and material progress, form a basis for an earlier return to a safe and sound condition of finance than can be found in any other department of English investment.

With regard to the condition of business throughout the United States, notwithstanding the clouds that lower over the commercial horizon, and the dangers which may flow from disturbances in Great Britain, this may with truth be said : that, so far as the country itself is concerned, there never has been a period in its history when fewer disturbing elements were present to affect the healthfulness of its trade. The enormous extent of the transactions consummated, as shown by the Clearing-House returns; the great volume of internal commerce, as shown by the increased railway and lake tonnage; the rapid development of natural resources; the creation of wealth as illustrated by the 8,000,000 bales of cotton produced; the variety and excellence of the crops; the output of iron, oil, and coal,—all point to a condition in which if safety does not reside, there is no safety elsewhere in the world.

It is true that there is an absence of banking capital with which to carry forward this tremendous commerce. It is unfortunate that, owing to the reduction of the public debt, the basis for banking facilities diminishes, and that without enlarged facilities it is somewhat difficult to discover how legitimate demands of traders and manufacturers for accommodation can be met. The hope that currency based on silver would relieve the situation has been indulged, and it is not improbable that Congress, at its forthcoming session, may meet the difficulty in a way that will at least afford temporary relief. But aside from the want of facilities with which to do business, and the restriction which operations may suffer therefrom, there is every reason to feel confident that the commercial affairs of the country are in a sound and healthy condition.

ERASTUS WIMAN.